**Financing Michigan's Public Schools:**
**Requirements, Issues, and Options**

## Introduction

In August 2001, the State Board of Education (SBE) directed Superintendent of Public Instruction Tom Watkins to conduct a review of the financial requirements of K-12 public education in Michigan. In November, Superintendent Watkins contacted the North Central Regional Educational Laboratory (NCREL) for assistance in conducting this review. NCREL agreed to fund this study, which seeks to build a consensus across education, government, and business communities about school funding needs in Michigan and how these needs may be best addressed. To oversee this project, Superintendent Watkins created an 18-member School Finance Initiative Task Force comprised of faculty members from Michigan State University, the University of Michigan, and Wayne State University, school finance experts from the Citizens Research Council of Michigan and the private sector, and representatives of the Michigan Department of Education.

The Task Force met on November 29, 2001 and developed a four-step course of action:

1. Gather state leaders' thinking about the extent and nature of each school funding issue;
2. Analyze these responses in order to identify those issues that a wide range of Michigan policymakers see a need to address;
3. Lay out effective options for school finance mechanisms and structures that can serve this consensus; and
4. Recognize that the choice among these various effective options resides with state political leaders.

During January 2002, Dr. Neil Theobald of Indiana University conducted 30 in-person and three telephone interviews with a variety of stakeholders, including the legislative leadership, members of the executive branch, the Michigan State Board of Education, the Michigan Education Alliance, and public school educators.

These 33 interviews identified four major issues in Michigan K-12 school finance. These issues, ordered by number of individuals citing each as a dominant concern, are:

- school construction/infrastructure funding
- administrative costs
- access to local millage
- declining enrollment school districts[1]

[1] In addition, low-performing schools and special education were mentioned by a significant number of the individuals interviewed. However, in light of recent SBE policies regarding these issues, neither was further analyzed in Theobald's report.

Dr. Theobald presented his report to the State Board of Education in March 2002. Following the Board's review, the report was widely distributed. Recipients included the Governor, gubernatorial candidates, the Legislature, the education community, business and labor organizations, education reporters, the general media, and editorial writers. The report was also posted on the MDE website with a survey to collect public feedback. Following release of the report, the Department held public forums in Kalamazoo, Marquette, Lansing, Traverse City, Monroe, Houghton, Hamtramck and Bay City to gather additional views of the public regarding K-12 finance.

Recommendations made at these public forums addressed all four broad issue areas raised by state leaders in Dr. Theobald's interviews. These four issue areas and the number of associated forum recommendations are given in Table 1:

**Table 1**
**Forum Recommendations Regarding**
**Leadership Issues**

I. School Construction/Infrastructure Funding (n=12)
II. Administrative Costs (n=5)
III. Access to Local Millage (n=6)
IV. Declining Enrollment School Districts (n=16)

Other recommendations and concerns mentioned repeatedly in the forums are given in Table 2:

**Table 2**
**Forum Recommendations/Concerns Not**
**Cited Among Leadership Issues**

1. State aid payment schedule (n=8)
2. Close the gap in per pupil revenue (n=7)
3. Special education funding (n=6)
4. Instability of sales tax revenue (n=5)
5. Downtown Development Authorities (DDA), Tax Increment Financing Authorities (TIFA), Brownfields and Renaissance Zones all reduce revenue to the school aid fund (n=3)
6. High transportation costs not addressed by Prop. A (n=2)
7. Increase state aid for "at risk" students (n=2)
8. Exempt LEAs from Prevailing Wage requirements (n=2)
9. Local district consolidations are too complicated. It is hypocritical to recommend both district consolidations and more charter schools. (n=2)

**The Theobald Report**

A full discussion of the issues and corresponding policy options raised in the leadership interviews is provided in *From Proposal A to A+*, the report presented to the State Board in March 2002. The options cited in these interviews, listed under each major issue in order of the magnitude of their departure from current practice, are as follows:

I. School Construction/Infrastructure Funding

A. No State Action

B. State Subsidy

1. Issue state bonds, or use other techniques, to subsidize interest rates for school districts.
2. Improve the School Bond Loan Fund.
3. Provide state grants for capital construction.
4. Guarantee per-pupil allotments for capital construction.

C. State Administrative Action

5. Establish a state property tax control board.
6. Encourage school districts to lease, rather than own, buildings.
7. Fund capital construction on an ISD-wide basis.
8. Commission standard building designs to be used by all Michigan school districts.
9. Consolidate school districts to better match capital needs with available buildings.

D. Direct State Funding

10. Eliminate local funding of capital construction.

II. Administrative Costs

A. Benchmarks

1. Design and implement a formal performance assessment process to ensure that administrative functions are adequate.
2. Analyze state-imposed administrative costs to ensure that they are cost-effective.

B. Cross-District Coordination of Administrative Services

3. Increase the consistent use of cross-district preferred vendor programs.
4. Expand cross-district personnel service centers that are responsible for transaction processing.

5. Maximize the potential of ISDs to become administrative services organizations.

C. Market-Based Approaches

6. Distribute revenues to the school level and let each school choose from whom to purchase services.
7. Privatize school business operations.
8. Refocus ISDs from regulatory to administrative functions.

III. Access to Local Millage

A. Voting Changes

1. Simplify the mechanism for approving the 3-mill levies by requiring majority approval at the ISD level rather than majority approval in each LEA.[2]
2. Allow a subset of districts in an ISD to seek approval for a 3-mill levy.
3. As the State Board establishes some "probation-like" status for poor academic performance, allow these districts to seek local levies.
4. Allow individual districts to pass the 3-mill levy but apply it to homesteads only.

B. Redistribution

5. Pool the revenue generated by all 3-mill levies that are passed in Michigan and divide it on an equal per pupil basis among all districts that pass levies.
6. Pool a portion (e.g., 70%) of revenue generated by all 3-mill levies passed in Michigan and divide this portion on an equal per per pupil basis among all districts that pass levies. The remaining levy revenue is retained at the local district level.

IV. Declining Enrollment School Districts

[2] This recommendation reflects a misunderstanding of Michigan law regarding local school district enhancement millage. Specifically, current law conforms to this recommendation. Sec. 380.705 of *The Revised School Code* reads, in part, as follows: Sec. 705. (1) Beginning in 1997 and each year after 1997, a regional enhancement property tax may be levied by an intermediate school district at a rate not to exceed 3 mills to enhance other state and local funding for local school district operations if approved by a majority of the intermediate school electors voting on the question.
(2) If a resolution requesting that the question of a regional enhancement property tax be submitted to the voters is adopted within a 180-day period and transmitted to the intermediate school board by 1 or more boards of its constituent school districts representing a majority of the combined membership of the constituent school districts as of the most recent pupil membership count day and if those resolutions all contain an identical specified number of mills to be levied under this section and an identical specified number of years for which the tax shall be levied, the question of levying a regional enhancement property tax by the intermediate school district shall be placed on the ballot by the intermediate school district at the next annual school election held in each of the constituent districts.

1. Adjust the current 80/20 weighting of school district enrollment to a more even distribution.
2. In the school funding formula, weight students in demographically-driven declining enrollment school districts more heavily (i.e., increase local foundation allowance).
3. Allow declining-enrollment districts to phase in these reductions over a five-year period.
4. Allow declining enrollment districts to seek local levies.
5. The State should encourage expanded use of distance education.
6. The State should reorganize districts with substantial declining enrollment.

## Forum Comments

As one might expect, the list of issues and recommendations raised by forum participants was longer and more diverse than the list compiled from the structured leadership interviews.[3] Further, the quality of forum input varied considerably, ranging from detailed position papers to unsubstantiated assertions.

The concerns raised in the leadership interviews generally reflect statewide issues of policy and administration, while the forum commentary emphasized local district concerns. For example, although both the interviews and the forums cited declining enrollment school districts as a serious problem, each venue characterized the problem differently. As Dr. Theobald's report notes, state leaders draw an important distinction between "choice-driven" and "demographically-driven" enrollment decline. The former instance, where enrollments decline because parents choose to move their children to charter schools, private schools, or other school districts, is not viewed by leadership as a pressing problem. The latter instance, however, where district enrollments decline because "more people are dying in the community than are being born," is viewed by leaders as "a good area for the State Board of Education to float proposals of what the state should do." Forum participants, on the other hand, make no such distinction. Declining enrollments of either sort impose identical financial hardships on the affected districts and, in the view of forum participants, some measure of financial relief is needed.

Another notable difference between the viewpoints of leadership and forum participants concerns administrative costs. State leaders cited eight specific recommendations designed to reduce such costs, while forum participants paid relatively little attention to the topic.

## Topics of Shared Concern

The School Finance Initiative Task Force met on August 28 to review the leadership and forum input and identify areas of shared concern. The Task Force

[3] A detailed listing of recommendations and concerns noted at the public forums, along with a comparison to leadership concerns, is presented in Appendix A.

identified School Construction/Infrastructure Funding as the first priority for State Board consideration. This issue was cited most often by both leadership and forum participants. The Task Force identified Declining Enrollment School Districts as a secondary concern, but emphasized the importance of infrastructure funding as the primary concern raised by leadership and the public.

## School Construction/Infrastructure Funding

Following is a discussion of school infrastructure funding in Michigan and other states. The first section summarizes the findings of a recent survey of school infrastructure needs in Michigan conducted by the School Equity Caucus. This is followed by a summary of recommendations made by leadership and the public and, finally, an outline of school infrastructure support programs in place in other states.

The overall condition of Michigan's public school infrastructure has not been closely and systematically assessed in recent years. However, various limited surveys and anecdotal observations indicate substantial need. In January 1997, the School Equity Caucus published the results of a statewide survey of the condition of public school buildings in Michigan.[4] The study summarized information from 257 Michigan school districts, covering 1,482 buildings, including 1,117 school buildings with children and youth in them. The buildings ranged in age from 1 year to over 100 years, with an average age of 40 years.[5]

Districts were asked to rate the condition of each school building using a scale of 1 (low need for repair) to 5 (high need for repair). Survey findings are summarized in Table 3.

[4] School Equity Caucus (1997). *Michigan Public Schools Infrastructure: A Serious Problem That Needs To Be Addressed Now.* (Lansing, MI).
[5] School Equity Caucus (2002). *A History And Overview of the Funding of the Infrastructure of Schools: Litigation.* (Lansing, MI, mimeo).

**Table 3**
**Michigan School Equity Caucus Survey of**
**School Infrastructure Needs, 1997**
(numbers of buildings)

| | Total 4 + 5 | Total 5 |
|---|---|---|
| 1. Roofs | 261 | 143 |
| 2. Heat/Air Exchange | 305 | 163 |
| 3. A.D.A. Requirements | 328 | 192 |
| 4. Electrical | 320 | 157 |
| 5. Structural | 159 | 82 |
| 6. Windows/Doors | 295 | 182 |
| 7. Technology | 483 | 378 |
| 8. Special Facilities | 296 | 178 |
| 9. Need Major Renovation | 238 | 157 |
| 10. Need Addition | 261 | 200 |
| 11. Need New Building | 106 | 93 |

In March 1999, as a follow-up to the 1997 survey, the School Equity Caucus received anecdotal comments from superintendents regarding school infrastructure needs. The comments generally expressed an inability of local districts to finance infrastructure needs with local resources. In April, May, and June of 1999, the Michigan Senate Appropriation Subcommittee on K-12 School Aid conducted five hearings statewide regarding school infrastructure.

In 2002, Senate Republicans introduced a $1 billion Infrastructure Improvement Bond to address public school needs. Originally linked with a $1 Billion Sewer Bond, the Infrastructure Improvement Bond was later separated. As a separate issue, the Infrastructure Bond passed the Senate, but not the House, and consequently was not placed on the November 2002 General Election ballot for voter approval.

## Michigan's School Infrastructure Finance Problem in Brief

Michigan is one of only eight states that provide no grant support for local school capital projects.[6] Michigan did initiate an equalization aid formula for school building construction in the 1974-75 fiscal year (Section 27 of the School Aid Act) but terminated the aid program in 1980. Since then, local school districts have had to rely almost exclusively on local property taxes to finance major school construction projects. As a result, property rich school districts are able to construct very adequate facilities with a relatively low tax rate and low ratio of debt to total taxable value. Property poor districts, on the other hand, are much more limited in the facilities they can afford and must levy

[6] The other states that provide no aid for local school capital projects are Louisiana, Missouri, Nevada, North Dakota, Oklahoma, Oregon, and South Dakota. Source: Catherine C. Sielke (in press), "Financing School Infrastructure Needs: An Overview Across 50 States," in Faith Crampton and David C. Thompson (eds.) *Saving America's School Infrastructure*, (Greenwich, CT: Information Age Publishing).

high property tax rates and assume considerable debt to pay for them.[7] It is well known that local districts in Michigan vary substantially in fiscal capacity as measured by taxable value per pupil. These disparities lead to a number of problems, including the following:[8]

1. Low property wealth districts that participate in the School Bond Loan Fund (SBLF) cannot meet their bonded indebtedness with local property tax revenue. As a result, these districts' indebtedness simply grows over time. Examples of such districts include Inkster and Allendale, profiled in Table 4.

**Table 4**
**Districts with Growing SBLF Debt**

| District | SBLF Balance 6/30/2000 | SBLF Balance 6/30/2001 | Loan Growth 6/30/00 to 6/30/01 | Local Revenue Raised | Years in SBLF |
|---|---|---|---|---|---|
| Inkster | $13,232,537 | $15,002,155 | $1,769,618 | $824,589 | 36 |
| Allendale | 5,266,494 | 6,085,415 | 818,921 | 739,718 | 6 |

2. Districts with extremely low taxable value per pupil (TVPP) cannot levy sufficient millage (a minimum of 7 debt mills) for SBLF participation. Examples include Highland Park (TVPP = $31,824), Beecher Community (TVPP = $36,619), and Hamtramck (TVPP = $41,304). As a result, major capital projects may not be undertaken.

3. Some property-poor districts are approaching the 13-mill limit on debt. Currently, 34 low TVPP districts participating in the SBLF levy between 7 and 13 debt mills. They have substantially exhausted their bonding potential and have assumed a relatively high tax burden. Examples include Clintondale (12.65 debt mills), Hancock (11.33 debt mills), and DeWitt (11.2 debt mills).

## School Infrastructure Aid in Other States[9]

As noted above, 42 of the 50 states provide aid to local school districts for capital projects. State support for K-12 funding has grown in recent years for several reasons. One such impetus has been school finance litigation. While litigation of the 1970s and 1980s generally focused on the financing of school operations, recent lawsuits have addressed the adequacy of the school house itself in meeting the educational needs of

[7] Public school academies, of course, lack any property tax base and must finance capital projects with operating revenue.
[8] This section follows School Equity Caucus (2002). *A History and Overview of the Funding of the Infrastructure of Schools: Litigation.*
[9] This summary is based on Sielke (in press).

children.[10] Further, public school enrollments are surging and local districts are unable by themselves to meet the demands for school buildings. Additional fiscal pressures arise from the need to upgrade older buildings to accommodate new technology and handicap accessibility. In some states, mandated class size reductions have necessitated additional classroom space. As a result of these rising demands for school infrastructure improvements, the number of states providing support for infrastructure has risen from 35 in 1993-94 to 42 in 2001-02.[11]

The mechanisms used by states to fund school infrastructure needs are the same as those used to fund school operations: flat grants, equalized grants, full state funding, and categorical grants. Some states include infrastructure support in their basic aid formula. Table 5 indicates the number of states that employed each of the aid mechanisms for the 2001-02 school year.[12]

**Table 5**
**State School Infrastructure Funding Programs**
**2001-02**

| | |
|---|---|
| Flat Grant | 9 |
| Equalized Grant | 28 |
| Basic Support | 2 |
| Full Funding | 2 |
| Categorical Grant | 13 |
| No Support | 8 |

Source: Sielke (in press). (Some states have more than one program.)

As Table 5 indicates, the equalized grant is the most prevalent mechanism for providing capital aid to local school districts, with 28 states opting for this type of grant formula. (As noted above, Michigan used an equalized grant formula for capital aid from 1974-75 through 1979-80.) The equalized grant provides an equitable distribution of dollars because the formulas are designed to offset, or neutralize, differences in local taxable wealth. Most of these states use a guaranteed yield approach using assessed valuation or income levels as the equalization factor, with state aid varying inversely with the selected measure of local wealth. Some states, however, use more complex formulas encompassing more variables. Examples include Iowa, which employs a formula based on enrollment size and local sales tax revenue, and Massachusetts, with a formula that considers property value, average income, district poverty level, and "incentive points," such as district maintenance history. Equalizing aid formulas are generally purer because they include factors (e.g., property wealth or income) linked to local district fiscal capacity. The additional factors used to distribute infrastructure aid attempt to address

[10] See, for example, *Roosevelt Elementary School District No. 66 v. Bishop*, 170 Ariz. 233; 877 P. 2d 806 (1994) and *DeRolph v. State*, 766 N.E. 2d 733; Ohio, 1997.
[11] Sielke (in press), p. 5.
[12] A state-by-state description of infrastructure funding programs for 2001-2002 is given in Appendix B.

enrollment changes, the current condition of school buildings, and health and safety needs.[13]

The second most prevalent mechanism for distributing infrastructure aid is the categorical grant. Categorical grants by definition are targeted for specific policy goals or needs. Categorical grants for infrastructure are often targeted for districts with rising enrollments and/or health and safety issues.[14] Some of these states have aggressive legislation to lower class size and target this aid for additional classrooms. For example, Connecticut provides infrastructure grants for their early childhood, full day kindergarten, and class size reduction programs, while Nebraska provides grants for implementing the Americans with Disabilities Act of 1990 and for environmental issues.[15]

Much of the equalized aid and other types of state infrastructure funding is used to service debt on voter approved bond issues. This debt may have existed prior to the state funding or the local bond issue may have been needed to provide the required local contribution toward a construction project.

## Summary and Conclusions

Comments from education leaders and the public alike reflect great satisfaction with the education finance reforms often referred to as "Proposal A." At the same time, however, participants in this review process identified a number of areas in K-12 finance that could be improved. Most notable among these is an area not addressed at all by the Proposal A reforms: school infrastructure funding. As noted above, Michigan is one of only eight states that provide no grant support to local school districts for capital projects. As a result, local districts in Michigan must rely entirely upon local property taxes to service capital debt. In view of the enormous disparities across Michigan's 555 local school districts in property wealth per pupil, the ability of our public schools to fund school facilities is extremely uneven. As a result, the improved equality of resources for school operations brought about by the 1994 reforms stands in stark contrast to the uneven quality of public school infrastructure across our local communities.

The development of policy for state school infrastructure support would require a better understanding of infrastructure need across our public schools. This information would be very helpful for discussions about alternative mechanisms for distributing infrastructure aid (e.g., equalized grants, categorical grants, state bonding authority, etc.) and for estimating the total cost of alternative policies and funding mechanisms.

[13] Sielke (forthcoming), p. 7.
[14] Ibid., p. 7.
[15] Ibid., p. 8.

Appendix A

Summary and Comparison of Leadership and Forum Testimony

## I. School Construction/Infrastructure Funding (n=12)

*A. No State Action*

1. Continue with the current capital funding process (n=0)

*B. State Subsidy*

2. Issue state bonds, or use other techniques, to subsidize interest rates for school districts (n=2)
3. Improve the School Bond Loan Fund (n=0)
4. State grants for capital construction (n=5)
5. Guaranteed per pupil allotments for capital construction (n=3)

*C. State Administrative Action*

6. Establish a state property tax control board (n=0)
7. Encourage districts to lease, rather than own, buildings (n=0)
8. Fund capital construction on an ISD-wide basis (n=0)
9. Commission standard building designs to be used by all Michigan school districts (n=1)
10. Consolidate school districts to better match capital needs with available buildings (n=0)

C. *Direct State Funding*

11. Eliminate local funding of capital construction (n=1)

## II. Administrative Costs (n=5)

*A. Benchmarks*

1. Design and implement a formal performance assessment process to ensure that administrative functions are adequate (LEA would do this.) (n=2)
2. Analyze state-imposed administrative costs to ensure that they are cost-effective (n=0)

B. *Cross-District Coordination of Administrative Services*

3. Increase the consistent use of cross-district preferred vendor programs (n=0)
4. Expand cross-district personnel service centers that are responsible for transaction processing (n=0)
5. Maximize the potential of ISDs to become administrative services organizations (n=2)

C. *Market-Based Approaches*

6. Distribute revenues to school level and let school choose from whom to purchase services (n=1)
7. Privatize school business operations (n=0)
8. Refocus ISDs from regulatory to administrative functions (n=0)

## III. Access to Local Millage (n=6)

*A. Voting Changes*

1. Simplify the mechanism for approving the 3-mill levies by requiring majority approval at the ISD level rather than majority approval in each LEA (n=5) **Note: Approval at ISD level is current law.**[16]
2. Allow a subset of districts in an ISD to seek approval for a 3-mill levy (n=1)
3. As the State Board establishes some "probation-like" status for poor academic performance, allow these districts to seek local levies. (n=0)
4. Allow individual districts to pass the 3-mill levy but apply it to homesteads only. (n=0)

B. *Redistribution*

5. Pool the revenue generated by all 3-mill levies that are passed in Michigan and divide it on an equal per pupil basis among all districts that pass levies (n=0)
6. Pool a portion (e.g., 70%) of revenue generated by all 3-mill levies passed in Michigan and divide this portion on an equal per pupil basis among all districts that pass levies. The remaining levy revenue is retained at the local school district level. (n=0)

[16] Sec. 380.705 of *The Revised School Code* reads, in part, as follows: Sec. 705. (1) Beginning in 1997 and each year after 1997, a regional enhancement property tax may be levied by an intermediate school district at a rate not to exceed 3 mills to enhance other state and local funding for local school district operations if approved by a majority of the intermediate school electors voting on the question.
(2) If a resolution requesting that the question of a regional enhancement property tax be submitted to the voters is adopted within a 180-day period and transmitted to the intermediate school board by 1 or more boards of its constituent school districts representing a majority of the combined membership of the constituent school districts as of the most recent pupil membership count day and if those resolutions all contain an identical specified number of mills to be levied under this section and an identical specified number of years for which the tax shall be levied, the question of levying a regional enhancement property tax by the intermediate school district shall be placed on the ballot by the intermediate school district at the next annual school election held in each of the constituent districts.

## IV. Declining Enrollment School Districts (n=9; 5 recommendations were non-specific)

1. Adjust the current 80/20 weighting of school district enrollment to a more even distribution. (n=0)
2. In the school funding formula, weight students in demographically-driven declining enrollment school districts more heavily (i.e., increase local foundation allowance). (n=0)
3. Allow declining-enrollment districts to phase in these reductions over a five-year period. (n=2)
4. Allow declining enrollment districts to seek local levies. (n=1)
5. The State should encourage expanded use of distance education. (n=1)
6. The State should reorganize districts with substantial declining enrollment. (n=0)

Appendix A (continued)

Summary and Comparison of Leadership and Forum Testimony

## V. Recommendations not listed in Theobald Report

1. Fully fund special education. (n=6)
2. Continue to close the gap in per pupil revenue. (n=4)
3. Increase state aid for "at-risk" students. (n=2)
4. Exempt LEAs from Prevailing Wage requirements. (n=2)
5. LEA consolidations are too complicated. It is hypocritical to suggest both LEA consolidations and more charter schools, each of which is its own LEA. (n=2)
6. Don't allow local enhancement millage. (n=2)
7. Hold harmless millage needs to be readjusted with foundation increases. (n=1)
8. Fully fund schools of choice at receiving district's foundation level, not "lower of." (n=1)
9. Base funding on "classroom units," so funding doesn't change when enrollment changes a little. (n=1)
10. Divide big districts to improve efficiency. (n=1)
11. Prohibit use of bond revenue for routine maintenance. (n=1)
12. LEAs need to bargain tougher. (n=1)
13. Establish standard criteria for LEA budget cuts. (n=1)
14. Establish standard per pupil allotment; phase in over 10 years. (n=1)
15. State should leverage purchasing power and offer public schools an alternative to MESSA. (n=1)
16. Differentiate foundation grant by elementary, middle, and high school levels. (n=1)
17. City government could share some LEA costs (e.g., East Lansing idea). (n=1)
18. Look more carefully at the adverse impact of state tax changes on K-12 finance (Doug Drake's study did this.) (n=1)
19. Develop uniform statewide school accounting system. (n=1)
20. Increase categorical funding, especially Sec. 57 (Gifted and Talented Education) (n=1)
21. Have more discussion about diversification of the school tax base. (n=1)
22. Develop statewide student database. (n=1)

Appendix A (continued)

Summary and Comparison of Leadership and Forum Testimony

## VI. Problems cited more than once in forums; no recommendations given

1. State aid payment schedule creates a cash flow problem; LEA must borrow to meet payroll. (n=8)
2. No allowance for declining enrollments. (n=7)
3. Sales tax an unstable source of tax revenue. (n=5)
4. Proposal A does nothing for capital funding. (n=4)
5. Still need to close gap in foundation levels. (n=3)
6. DDA's, TIFA's, Brownfields, and Renaissance Zones reduce revenue to the School Aid Fund (6-mill State tax and 18-mill local nonhomestead tax). (n=3)
7. High transportation costs not addressed by Proposal A. (n=2)

0

Appendix B

STATE SCHOOL INFRASTRUCTURE FUNDING PROGRAMS 2001-2002

| State | State Funding Program | Flat Grant | Equalized | Basic Support | Full Funding | Categorical Grant | None |
|---|---|---|---|---|---|---|---|
| Alabama | Guaranteed tax yield for capital improvements. | | X | | | | |
| Alaska | Grants with required local contribution ranging from 5% to 35%.<br>Reimburses debt up to 70%. Debt must be pre-authorized. | | X<br>X | | | | |
| Arizona | Full state funding within required state standards.<br>Per pupil amount for "soft," short term capital needs. | <br>X | | | X | | |
| Arkansas | Provided within basic state aid – ADM x wealth index x $39. | | X | | | | |
| California | State provides approximately 55% to 66% of costs. | | | | | X | |
| Colorado | Included in Basic Support Program -- $223-$800/pupil. | | | X | | | |
| Connecticut | Equalized funding for 20% to 80% of eligible costs. Magnet schools receive 100%.<br>Additional funding for initiatives such as early childhood, reduced class size, full day kindergarten. | | X | | | <br>X | |
| Delaware | State pays 60% to 80% of costs. Equalized based on taxing ability. | | X | | | | |
| Florida | PECO funds projects based on need. | | | | | X | |
| Georgia | Equalized funding based on AV/p ranging from 75% to 90%. SPLOST funds are also included in the formula.<br>Grants for new classrooms, reduced class size initiatives.<br>Additional incentives available for low wealth district districts. | | X | | | <br>X<br>X | |
| Hawaii | Full state funding | | | | X | | |
| Idaho | Subsidies for debt retirement based on mill rate, health & safety issues. | | | | | X | |

Appendix B (continued)

STATE SCHOOL INFRASTRUCTURE FUNDING PROGRAMS 2001-2002

| State | State Funding Program | Flat Grant | Equalized | Basic Support | Full Funding | Categorical Grant | None |
|---|---|---|---|---|---|---|---|
| Illinois | Equalized grants based on EAV/p at the 90th percentile.<br>Grants for debt service equaling 10% of principal x grant index. | | X<br>X | | | | |
| Indiana | Flat grant of $40 per pupil ADA in grades 1-12. Purpose – debt service | X | | | | | |
| Iowa | Grants based on enrollment size and inverse relationship with sales tax proceeds. Required local equalized match based on district fiscal capacity. Minimum match is 20%. | | X | | | | |
| Kansas | Weighting/pupil in basic aid of 0.25 for costs of new facility.<br>Grants for debt service equalized inversely to AV/pupil. | X | <br>X | | | | |
| Kentucky | Flat grant of $100/pupil.<br>District levy of 5¢/$100 AV equalized if property wealth is <150% of state average.<br>Grants for debt service based on % of district unmet needs compared to state unmet needs. | X | <br>X<br>X | | | | |
| Louisiana | No state funding. | | | | | | X |
| Maine | Funding for debt service based on local share for approved projects. | | X | | | | |
| Maryland | Funding based on state share of minimum foundation/pupil. Minimum is 50% of costs. | | X | | | | |
| Massachusetts | Reimbursement of 50% - 90% for approved projects. Funding based on calculation of property value, average income, district poverty level, and incentive points (type of | | X | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | construction, project manager, efficiency, maintenance history). | | | | | | |
| Michigan | No state funding. | | | | | | X |

Appendix B (continued)

STATE SCHOOL INFRASTRUCTURE FUNDING PROGRAMS 2001-2002

| State | State Funding Program | Flat Grant | Equalized | Basic Support | Full Funding | Categorical Grant | None |
|---|---|---|---|---|---|---|---|
| Minnesota | Funding by weighted ADM x ($173 + district avg. building age).<br>Equalized debt service aid.<br>Incentive grants such as $30 per year round pupil served, health & safety issues. | | X | | | X<br><br>X | |
| Mississippi | Flat grant of $24/ADA.<br>Other grants based on specific needs. | X | | | | <br>X | |
| Missouri | No state aid. | | | | | | X |
| Montana | Funding for debt service only. Based on ratio of district mill value/pupil enrollment and the state mill value/pupil. | | X | | | | |
| Nebraska | Funding for accessibility and environmental issues: $0.052/$100 AV. | | | | | X | |
| Nevada | No state funding with the exception of special appropriations for two districts due to extreme need. | | | | | | X |
| New Hampshire | State funds 30% - 55% of building costs depending on number of towns. Funding is not equalized. | X | | | | | |
| New Jersey | *Abbott* districts receive 100% funding<br>Non-*Abbott* districts receive equalized funding (min. of 40%) based on district wealth (personal income and property tax base).<br>Some districts may be eligible debt service aid. | | X | | | <br><br>X | |
| New Mexico | Equalized funding for voter approved 2 mill levy. | | X | | | | |

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|---|---|---|---|---|---|---|---|
| | Grants for critical needs if district is bonded to 65% of capacity. | | | | | X | |

Appendix B (continued)

STATE SCHOOL INFRASTRUCTURE FUNDING PROGRAMS 2001-2002

| State | State Funding Program | Flat Grant | Equalized | Basic Support | Full Funding | Categorical | None |
|---|---|---|---|---|---|---|---|
| New York | Equalized funding based on Building Aid Ratio and Approved Building Expense. | | X | | | | |
| North Carolina | Funding provided based on ADM, growth, and low wealth. Additional flat grant from proceeds of corporate income tax. | X | X | | | | |
| North Dakota | No state funding. | | | | | | X |
| Ohio | Funds Ohio School Facilities Commission. Equity list developed based on 3 year average property wealth – local district must pass levies. State design manual requirements. | | X | | | | |
| Oklahoma | No state funding. | | | | | | X |
| Oregon | No state funding. | | | | | | X |
| Pennsylvania | Funding (reimbursement) based on the greater of district's market value aid ratio, capital account reimbursement fraction, or density. | | X | | | | |
| Rhode Island | Funding for debt service. State share ratio = 1- ((district wealth per pupil/state wealth per pupil) x 62%). Minimum funding 30% of cost. | | X | | | | |
| South Carolina | Funding allocated per pupil based on available funding divided by k-12 ADM. | X | | | | | |
| South Dakota | No state funding. | | | | | | X |
| Tennessee | Funding through the Basic Education Program. Based on cost per sq. foot/ADM + 10% for equipment + 5% for architect fees + debt service at state bond rate. | | | | | X | |

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|---|---|---|---|---|---|---|---|
| Texas | Guaranteed yield funding through the Instructional Facility Allotment which is based on size of district, property value, ADA, andamount of annual debt service. | | X | | | | |
| Utah | Equalized funding based on local effort (.0024), Av/p and need. | | X | | | | |

Appendix B (continued)

STATE SCHOOL INFRASTRUCTURE FUNDING PROGRAMS 2001-2002

| State | State Funding Program | Flat Grant | Equalized | Basic Support | Full Funding | Categorical Grant | None |
|---|---|---|---|---|---|---|---|
| Vermont | Funds about 30% of cost of project based on prioritized needs.<br>Debt service reimbursed based on the guaranteed yield provisions of the general aid formula. | | <br>X | | | X | |
| Virginia | Flat grant of $200,000 per district.<br>Remaining amount prorated based on enrollment and ability to pay.<br>Per pupil supplement for maintenance and debt service. | X<br><br>X | <br>X | | | | |
| Washington | Funding is based on eligible area, area cost allowance, and matching ratio. Required local effort (matching ratio) is determined by comparing district AV/p to state AV/p. | | X | | | | |
| West Virginia | State funding is based on need: efficiency, adequate space, educational improvement, educational innovations, health & safety, changing demographics.<br>Lottery money is dedicated to debt service. | | | | | X<br>X | |
| Wisconsin | Funding is included in the basic support program. | | | X | | | |
| Wyoming | State supplements mill levy if AV/ADM is below 150% of state average. | | X | | | | |

*Source*: Sielke (in press).